

**CITY OF MOXEE**  
**Noncharter Code City**  
**Yakima County, Washington**  
**January 1, 1990 Through December 31, 1991**

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**Schedule Of Findings**

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1. The City Of Moxee's Accounting System Internal Controls Should Be Improved

Our attempt to audit the financial statements for 1990 and 1991 revealed material internal control weaknesses in the accounting controls and the control structure. These weaknesses are as follows:

- a. The check register is not being maintained on a current basis.
- b. Bank statements have not been reconciled to the check register in over two years.
- c. The cash and investment balances in the accounting records have not been reconciled to the bank in over two years.
- d. The subsidiary ledgers are not being reconciled to the general ledger.
- e. Check disbursement postings are incomplete and contain numerous errors.
- f. Annual budgets were incorrectly prepared.
- g. Preprinted documents are not being used to ensure accountability over receipts.
- h. Quarterly financial reports are not being given to the city council.
- i. City council has not appointed an auditing officer to audit claims expenditures.
- j. Accounting personnel do not have a sufficient understanding of the Eden System EDP Accounting software to operate and maintain the system accurately.

The absence of adequate systems to assure the accuracy of the financial statements constitutes a material internal control weakness whereby errors or irregularities could occur and not be detected in a timely fashion. Further, inaccurate financial reporting impacts the users of those statements and the decisions they make. This includes citizens, grantors, lenders, and city management itself. Additionally, inadequate records cause increased audit costs.

Because of the material weaknesses in the internal control structure, we were not able to express an opinion on the financial statements of the city.

*Revised Code of Washington (RCW) 43.09.200 states in part:*

. . . The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees or other

persons.

The accounts shall show the receipt, use, and disposition of all public income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

The American Institute of Certified Public Accountants (AICPA) *Statements on Auditing Standards*, Section 320.28 states:

Accounting control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

- (a) Transactions are executed in accordance with management's general or specific authorization.
- (b) Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) maintain accountability for assets.
- (c) Access to assets is permitted only in accordance with management's authorization.
- (d) The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

In April of 1990, the clerk-treasurer left with little notice. The duties and responsibilities were assigned to existing personnel without providing the necessary training. The personnel were not adequately familiar with budgeting, accounting, and reporting requirements for cities nor were they adequately trained to operate and maintain the computer software or hardware.

We recommend that city officials establish and maintain an effective system of internal controls by:

- a. Allocating sufficient resources to the accounting functions, and
- b. Providing adequate training and supervision to the accounting personnel.

2. The City Should Prepare An Accurate Annual Report.

The audit of the City of Moxee's annual reports for 1990 and 1991 revealed that several schedules were either missing or contained numerous errors and were not supported by the city's financial accounting system.

Missing incomplete and or inaccurate schedules were as follows:

Statements C-4 and C-5	Fund Resources and Uses Arising From Cash Transactions
Schedule 04	Detail of Revenues and Other Resources
Schedule 05	Detail of Expenditure and Other Uses
Schedule 07	Schedule of Warrant Activity
Schedule 08	Schedule of Property Taxes
Schedule 09	Schedule of Long-Term Debt
Schedule 11	Schedule of Cash Activity
Schedule 12	Schedule of Investment Activity
Schedule 13	Schedule of Cash and Investment Assets
Schedule 15	Schedule of Employer Contributions-Benefits
Schedule 16	Schedule of Financial Assistance
Schedule 17	Annual Report - Public Works Projects

The city's annual report was not prepared in accordance with the *Budgeting, Accounting and Reporting System* (BARS) manual as promulgated by the Office of State Auditor. The individuals responsible for the preparation of the report were not adequately familiar with the reporting requirements.

Pursuant to *Revised Code of Washington* (RCW) 43.09.230, the Office of State Auditor has developed the BARS manual as a uniform system of accounting for cities which requires that accounts be exhibited in a true and accurate manner.

Inaccurate preparation of financial reports results in inadequate disclosure of the city's financial activities to the city council and the public, and increases audit costs. We believe that the public's confidence in government requires accountability and timely disclosure of relevant and accurate financial information.

We recommend that city personnel take the necessary steps to ensure that future annual reports are prepared in accordance with BARS requirements. In doing so, city officials should consider the following:

- a. Obtain additional training with respect to the reporting section of the BARS manual.
- b. Perform a conscientious technical review of the annual report prior to its issuance.

3. Expenditures Of The City Of Moxee Should Be Limited To Appropriations

In 1991, the city made expenditures from two funds that were in excess of appropriations. A listing of the appropriations and expenditures, by fund, is provided below:

<u>Fund</u>	<u>Authorized Appropriation</u>	<u>Actual Expenditures</u>	<u>Over Expenditure</u>
Economic Development	\$ 8,058	\$13,263	\$ 5,205
Equipment Reserve	16,000	43,095	27,095

*Revised Code of Washington* (RCW) 35A.33.120 states in part:

The expenditure as classified and itemized in the final budget shall constitute the city's appropriations for the ensuing fiscal year . . . the expenditure of city funds or the incurring of current liabilities on behalf of the city shall be limited to the following:

(1) The total amount appropriated for each fund in the budget for the current fiscal year . . .

(4) Funds received in excess of estimated revenues during the current fiscal year when authorized by an ordinance amending the original budget . . . (Emphasis ours.)

In addition, RCW 35A.33.125 states in part:

. . . The clerk shall issue no warrant and the city council or other authorized person shall approve no claim for an expenditure in excess of the total amount appropriated for any individual fund . . . .

Excess expenditures resulted from the failure of city officials to monitor expenditures and compare them to appropriations.

Not monitoring and comparing expenditures to appropriations tends to negate the budgetary controls established within the statutes.

We recommend city officials maintain expenditures at or below authorized appropriations, and if necessary, amend the budget. We further recommend using budget to actual comparisons as a management tool to control costs as intended by statute.